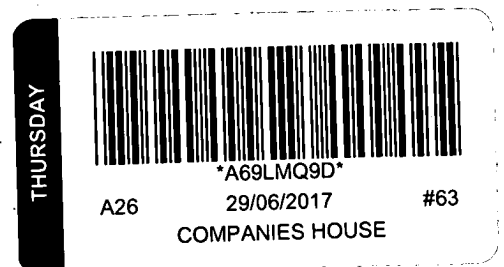


**SG LEASING (GEMS) LIMITED**  
**(Formerly RBSSAF (19) Limited)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE 6 MONTH PERIOD TO 29 SEPTEMBER 2016**



SG LEASING (GEMS) LIMITED  
PERIOD ENDED 29 SEPTEMBER 2016

CORPORATE INFORMATION

DIRECTORS

S. D. Cook  
N. M. Dent  
S. L. Fowler  
N. C. Proudfoot  
L. G. Sides

SECRETARY

K. Balinska-Jundzill

AUDITOR

Deloitte LLP  
1 Little New Street  
London  
EC4A 3TR

BANKERS

Société Générale  
SG House  
41 Tower Hill  
London  
EC3N 4SG

REGISTERED OFFICE &  
PRINCIPAL PLACE OF BUSINESS

SG House  
41 Tower Hill  
London  
EC3N 4SG

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and financial statements for the period ended 29 September 2016.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

On the 30 September 2016, TH Investments (Hong Kong) 1 Limited, which is incorporated in Hong Kong, acquired 100% of the issued share capital of SG Leasing (Gems) Limited from Royal Bank Leasing Limited. Following the acquisition, the company changed its name from RBSSAF (19) Limited to SG Leasing (Gems) Limited.

SG Leasing (Gems) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. These financial statements are presented in U.S. dollars because that is the currency of the primary economic environment in which the company operates.

The principal activity of the company continues to be the provision of leasing. The company did not enter into any new lease agreements during the period (31 March 2016: nil).

The company registration number is 05038969.

The company relies on business generated by staff employed by Société Générale, London Branch whose principal activity is investment banking. The client relationship exists with, and is managed by, London Branch.

The directors consider the results for the year to be in line with expectation. The company will continue to administer its portfolio of assets to increase profitability.

The company has secured financing arrangements from group companies that are matched with its asset base. The risks facing the company and the actions taken to address those risks are set out in the Financial Risk Management paragraph below. There is no indication that these risks will adversely impact the company in the foreseeable future.

The Report of the Directors has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006.

CHANGE OF ACCOUNTING REFERENCE DATE

During the period, the accounting reference date was changed from 31 March to 29 September due to the expected sale of the company on 30 September 2016. These financial statements have been prepared for the period from 1 April 2016 to 29 September 2016, making the comparative year's amounts not directly comparable as it covers the period 1 April 2015 to 31 March 2016.

RESULTS AND DIVIDEND

The company made a loss on ordinary activities after taxation of \$10,716,996 (31 March 2016: profit of \$2,527,880). The results for the period are set out on page 8.

No dividends were paid in respect of the current accounting period (31 March 2016: nil).

POST BALANCE SHEET EVENTS

On the 30 September 2016, TH Investments (Hong Kong) 1 Limited which is incorporated in Hong Kong acquired 100% of the issued share capital of the Company from Royal Bank Leasing Limited.

REPORT OF THE DIRECTORS (Continued)

FINANCIAL RISK MANAGEMENT

The company's principal risk is financial risk which it is exposed to through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk and credit risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit, liquidity and cash flow risk. The risks relating to liquidity and cash flow are mitigated by the routine monitoring of key management information. Credit risk is monitored by the risk department of Société Générale London Branch. They regularly monitor the credit worthiness of clients and will advise the relevant officer in charge of the exposure if there is any deterioration in the credit status (Refer to Note 12).

DIRECTORS

The directors who served during the period were:

S. J. Caterer (resigned 30 September 2016)  
P. A. Cheesman (resigned 30 September 2016)  
N. C. Proudfoot (appointed 30 September 2016)  
S. L. Fowler (appointed 30 September 2016)  
N. M. Dent (appointed 30 September 2016)  
S. D. Cook (appointed 30 September 2016)  
L. G. Sides (appointed 16 January 2017)

LIABILITY INSURANCE FOR COMPANY OFFICERS

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. In addition, the Company maintains liability insurance for its directors and officers.

GOING CONCERN

The Company has adequate availability of financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DISCLOSURE OF INFORMATION PROVIDED TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

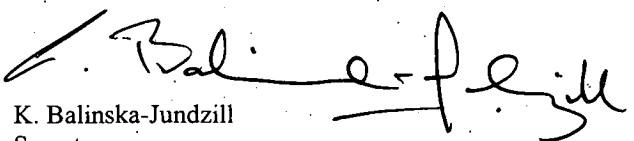
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

APPOINTMENT OF AUDITORS

Deloitte LLP was reappointed and has expressed its willingness to continue in office. Pursuant to the Company's policy of auditor rotation, Deloitte LLP will remain the Company's auditor until such time as the next auditor rotation period is fixed by the Company's members.

By order of the Board,

29 June 2017

  
K. Balinska-Jundzill  
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of SG Leasing (Gems) Limited

We have audited the financial statements of SG Leasing (Gems) Limited (formerly RBSSAF (19) Limited) for the period ended 29 September 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 September 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

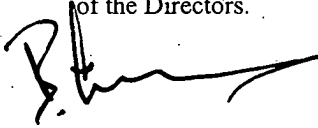
In our opinion the information given in the Report of the Directors for the period for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of SG Leasing (Gems) Limited (Continued).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors.



Ben Jackson FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
29 June 2017

SG LEASING (GEMS) LIMITED  
PERIOD ENDED 29 SEPTEMBER 2016

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 29 September 2016

	Notes	29 September 2016 \$	31 March 2016 \$
<u>Continuing Operations</u>			
Revenue	2	1,794,985	2,829,886
Interest expense	3a	(5,042,285)	(9,101,073)
Gross margin		(3,247,300)	(6,271,187)
Other losses	3b	(13,955,641)	-
Other operating expenses	4	(118,280)	(421,380)
Operating loss		(17,321,221)	(6,692,567)
LOSS BEFORE TAXATION		(17,321,221)	(6,692,567)
Tax	5	6,604,225	9,220,447
(LOSS) / PROFIT FOR THE PERIOD / YEAR		(10,716,996)	2,527,880
<u>Other Comprehensive Income</u>			
Other comprehensive income for the period / year net of tax		-	-
Total comprehensive (loss) / income for the period / year net of tax		(10,716,996)	2,527,880
(Loss) / Profit attributable to:			
Equity holders of the parent		(10,716,996)	2,527,880
Total comprehensive (loss) / income attributable to:			
Equity holders of the parent		(10,716,996)	2,527,880



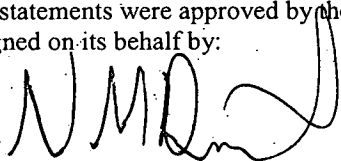
**SG LEASING (GEMS) LIMITED**  
**PERIOD ENDED 29 SEPTEMBER 2016**

**STATEMENT OF FINANCIAL POSITION**  
**As at 29 September 2016**

	Notes	29 September 2016 \$	Restated* 31 March 2016 \$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Finance lease receivables	6	466,827,210	503,417,953
		<u>466,827,210</u>	<u>503,417,953</u>
<b>CURRENT ASSETS</b>			
Finance lease receivables	6	59,646,337	56,006,593
Cash and cash equivalents		-	18,385
		<u>59,646,337</u>	<u>56,024,978</u>
<b>TOTAL ASSETS</b>		<u>526,473,547</u>	<u>559,442,931</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Borrowings	7	27,159,856	42,939,375
Other payables	7	2,152,551	2,507,817
		<u>29,312,407</u>	<u>45,447,192</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	8	73,428,200	81,277,092
Borrowings	7	408,153,962	417,523,375
		<u>481,582,162</u>	<u>498,800,467</u>
<b>TOTAL LIABILITIES</b>		<u>510,894,569</u>	<u>544,247,659</u>
<b>NET ASSETS</b>		<u>15,578,978</u>	<u>15,195,272</u>
<b>EQUITY</b>			
Share capital	9	104	104
Additional capital contribution		11,100,702	-
Retained earnings		4,478,172	15,195,168
<b>TOTAL EQUITY AND RESERVES</b>		<u>15,578,978</u>	<u>15,195,272</u>

\* See notes 6 and 7.

The financial statements were approved by the board of directors and authorised for issue on 29 June 2017.  
They were signed on its behalf by:



Director N. M. Dent

The notes on pages 11 to 22 form an integral part of these financial statements.  
The company registration number is 05038969.

SG LEASING (GEMS) LIMITED  
PERIOD ENDED 29 SEPTEMBER 2016

STATEMENT OF CHANGES IN EQUITY

For the year ended 29 September 2016

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance as at 31 March 2015	104	12,667,288	12,667,392
Total comprehensive profit for the year	-	2,527,880	2,527,880
Balance as at 31 March 2016	104	15,195,168	15,195,272
Additional capital contribution during the year	-	11,100,702	11,100,702
Total comprehensive loss for the period	-	(10,716,996)	(10,716,996)
Balance as at 29 September 2016	104	15,578,874	15,578,978

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below.

(a) Basis of preparation

The accompanying financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretation issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (together IFRS) under FRS 101 Reduced Disclosure Framework. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a Cash-Flow Statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Société Générale; these financial statements are available to the public and can be obtained as set out in note 11.

The financial statements are prepared on the historical cost basis.

Adoption of new and revised accounting standards

There are a number of changes to IFRS that were effective from 1 April 2016. They have had no material effect on the Company's financial statements for the year ended 29 September 2016.

(b) Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases.

Leases are categorised as loans and receivables.

(c) Revenue

Revenue comprises of finance lease income less variable interest rate adjustments.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

(d) Impairment

An impairment loss is recognised immediately in profit and loss when there is objective evidence that the financial asset, including finance lease receivable is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at the initial recognition.

Impairment losses are reversed immediately in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the balance sheet method.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Other payables and borrowings

Other payables and borrowings are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Other payables and borrowings are categorised as liabilities measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(g) Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Taxes

The Company's income tax charge and balance sheet provisions (if any) are judgmental in nature. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The ultimate tax treatment can only be determined by final resolution with the local tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(g) Significant accounting judgements, estimates and assumptions (continued)

The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the company's domicile. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 8.

Impairment of finance lease receivables

The Company will review its finance lease receivables for indicators of any impairment, as uncertainties may exist with respect to the future cash flows expected to be received. If the carrying amount of the finance lease receivables is higher than estimated economical benefits from the asset, impairment to the asset would be recognised.

Impairments are calculated on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE

	29 September 2016 \$	31 March 2016 \$
Finance income earned on finance lease	11,638,522	24,948,824
Interest Adjustment	(9,843,537)	(22,118,606)
	<u>1,794,985</u>	<u>2,830,218</u>

Income has been derived from activities within the UK.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

	29 September 2016 \$	31 March 2016 \$
(a) Interest payable		
\$2,860,366 of the interest payable during the period was attributable to group companies (31 March 2016: \$5,231,531)	(5,042,285)	(9,101,073)
	<u>(5,042,285)</u>	<u>(9,101,073)</u>
(b) Lease impairment (Refer to Note 6)	(13,955,641)	-
	<u>(13,955,641)</u>	<u>-</u>
(b) Auditors' remuneration - audit fees		
Audit fees payable for the audit of the company's annual financial statements amounted to \$32,406 (31 March 2016: \$14,000). These fees are paid by the ultimate parent company, Société Générale.		

4. OTHER OPERATING EXPENSES

	29 September 2016 \$	31 March 2016 \$
Other operating expenses	(118,280)	(421,380)
	<u>(118,280)</u>	<u>(421,380)</u>

The expenses relate to management charge incurred by the Company during the period.

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION

(a) Analysis of the tax credit in the year period / year

	29 September 2016 \$	29 September 2016 \$	31 March 2016 \$	31 March 2016 \$
Corporation tax:				
Corporation tax charge for the period / year		(1,244,667)		(1,606,479)
Total current tax charge		(1,244,667)		(1,606,479)
Deferred tax:				
Origination and reversal of temporary differences				
Current period movement	4,708,911		2,944,926	
Effect of change in tax rate	3,139,981		7,882,000	
		7,848,892		10,826,926
Tax credit on ordinary activities		6,604,225		9,220,447

(b) The total credit for the period / year can be reconciled to the accounting loss as follows:

	29 September 2016 \$	31 March 2016 \$
Loss on ordinary activities before taxation	17,321,221	6,692,567
Tax on loss on ordinary activities at standard rate of 20.00% (31 March 2016: 20.00%)	3,464,244	1,338,513
Factors affecting the credit:		
Disallowable expenses	-	-
Transfer pricing adjustments	66,606	-
Change of tax rate	3,139,980	7,881,934
Group relief	(66,606)	-
	6,604,225	9,220,447

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCE LEASE RECEIVABLES

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>29 September</u>	<u>Restated</u>	<u>29 September</u>	<u>Restated</u>
	<u>2016</u>	<u>31 March</u>	<u>2016</u>	<u>31 March</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Amounts receivable under finance leases:				
Within one year	61,102,749	57,301,593	59,646,337	56,006,593
In the second to fifth years inclusive	278,900,435	246,544,000	232,444,527	212,647,000
After five years	345,024,890	411,212,953	234,382,683	290,770,953
	<hr/>	<hr/>	<hr/>	<hr/>
	685,028,074	715,058,546	526,473,547	559,424,546
Less: unearned finance income	(158,554,527)	(155,634,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of minimum lease payments receivable	526,473,547	559,424,546	526,473,547	559,424,546
	<hr/>	<hr/>	<hr/>	<hr/>
Analysed as:				
Non-current finance lease receivables (Recoverable after 12 months)			466,827,210	503,417,953
Current finance lease receivables (Recoverable within 12 months)			59,646,337	56,006,593
			<hr/>	<hr/>
			526,473,547	559,424,546
			<hr/>	<hr/>

In the prior year the unsettled interest rate adjustment of \$4,334,407 was presented within other payables, in the current year this has been reclassified from other payables to finance lease receivable, as the finance lease rentals are settled net of the variable interest rate adjustment, therefore management believes that it gives a better presentation of the company accounts.

The company entered into no new finance lease agreements during the period (31 March 2016: \$nil).

The average total lease term is 18 years (31 March 2016: 18 years), with rentals payable annually in advance.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated as \$nil (31 March 2016: \$nil) on account of guarantees and collateral placed on behalf of the lessee.

The average effective interest rate contracted approximates 5.85% (31 March 2016: 5.3%) per annum.

The fair value of the company's lease receivables approximates to their carrying value.

The Company recognised an impairment amounting to \$13,955,641 (31 March 2016: \$nil) on its finance lease receivables. The impairment recognised represents the difference between the carrying amount of the finance lease receivables and the present value of the future cash flows.



NOTES TO THE FINANCIAL STATEMENTS

7. BORROWINGS AND OTHER PAYABLES

	29 September 2016 \$	Restated 31 March 2016 \$
Amounts falling due within one year:		
Borrowings	27,159,856	42,939,375
Interest payable to group companies	2,152,551	2,199,449
Corporation tax	-	308,368
	<u>29,312,407</u>	<u>45,447,192</u>
Amounts falling due after one year:		
Borrowings	408,153,962	417,523,375
	<u>408,153,962</u>	<u>417,523,375</u>

In the prior year the unsettled interest rate adjustment of \$4,334,407 was presented within other payables, in the current year this has been reclassified from other payables to finance lease receivable, as the finance lease rentals are settled net of the variable interest rate adjustment, therefore management believes that it gives a better presentation of the company accounts.

Borrowings comprise of variable rate loans of \$435,313,818 (31 March 2016: \$460,462,750) financing the investment in finance lease receivables (Refer to Note 6). Principal and interest payments are settled in cash and are made monthly based on a 1 month Libor plus spread.

The variable loan of \$435,313,818 (31 March 2016: \$460,462,750) approximates the fair value. The fair value hierarchy of the borrowings is classified as Level 2 in accordance with IFRS 13.

The directors consider that the remaining carrying amount of other payables approximates their fair value.

8. DEFERRED TAXATION

	29 September 2016 \$	31 March 2016 \$
(a) <u>Analysis of deferred tax balances</u>		
Accelerated capital allowances	73,428,200	81,277,092
Total liability	<u>73,428,200</u>	<u>81,277,092</u>
	<u>2016</u> \$	<u>2016</u> \$
(b) <u>Analysis of movement in deferred tax liability</u>		
Liability at beginning of year	81,277,092	92,104,018
Deferred tax debit to profit and loss for the period	(7,848,892)	(10,826,926)
Deferred tax liability at end of period	<u>73,428,200</u>	<u>81,277,092</u>

Legislation was introduced in Finance (No. 2) Act 2015 to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017. A further measure in Finance Act 2016 enacted a reduction in the main rate of corporation tax to 17% from 1 April 2020. These reductions are taken into account in calculating the deferred tax liability disclosed in the accounts.

NOTES TO THE FINANCIAL STATEMENTS

9. SHARE CAPITAL AND EQUITY

	29 September 2016 \$	31 March 2016 \$
Issued and fully paid:		
2 deferred ordinary shares of £1 each	4	4
100 ordinary shares of \$1 each, fully paid	100	100
	<u>104</u>	<u>104</u>

The company has one class of ordinary shares which carry no right to fixed income.

On 27 September 2016, loans of \$11,100,702 provided to SG Leasing (Gems) Ltd (former RBSSAF 19) by its former parent company, Royal Bank of Scotland, were waived, resulting in an additional capital contribution.

10. EMPLOYEES COST AND DIRECTORS' EMOLUMENTS

The directors received no emoluments for services to the company or TH Investments (Hong Kong) 1 Limited (its parent) during the period (31 March 2016: £nil).

None of the directors had any material interest in any contract in relation to the business of the company.

The company does not have any employees for either period. All personnel who perform services are employed and remunerated by Société Générale London Branch.

11. HOLDING AND CONTROLLING COMPANY

The Company's immediate parent company is Royal Bank Leasing Limited, a company incorporated in the UK. As at 29 September 2016, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland plc which is incorporated in the UK and heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

12. FINANCIAL INSTRUMENTS

The management of risks in relation to financial instruments is an integral part of Société Générale's Group corporate culture. The risks encountered by the Company are managed on its behalf by Société Générale. The company has hedged its loan exposures by currency, rate and maturity. It therefore does not have any material sensitivity to any of these risks.

The main risks incurred in the Company's activities are as follows:

i) Credit Risk

The Company's principal financial assets exposed to credit risk are finance lease receivables. The Company is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations.

To mitigate exposure to credit risk the Group has a risk approval process that is based on five principles:

- All transactions giving rise to a counterparty risk must be authorised in advance.
- All requests for authorisations relating to a specific client or client group are handled by a central operating division called the Risk Division. This division is designated, on a case-by-case basis, to ensure a consistent approach to risk management and the permanent control of Société Générale's potential exposure.

NOTES TO THE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS (continued)

i) Credit Risk (continued)

- Systematic recourse to internal risk ratings. These ratings are provided by the operating divisions that are able to enter into financial exposure with a client and are validated by the Risk Division; they are included in all loan applications and are considered as part of the decision process regarding the issue of a loan.
- Responsibility for analysing and approving risk is delegated to specific credit risk units; and
- Risk assessment departments are fully independent at each decision making level.

The Risk Division aims to increase Société Générale's expertise by centralising the analysis of the quality of Société Générale's counterparties and the approval of exposure limits allocated to all locations and business lines.

The maximum credit risk that the Company is exposed to, without taking into account any collateral held or other credit enhancements, is the gross carrying amount of finance leases receivables granted. The gross carrying amounts are declared in the balance sheet and the notes to the accounts.

The underlying assets financed under finance leases are held as collateral and remain in the ownership of the Company. These assets can be potentially called upon as security. The Company has entered into finance leasing arrangements in film, machinery and equipment.

The Company is not aware of any material items that would affect the credit quality of its financial assets other than the impairment of finance lease receivables (Refer to Note 6). No other assets are considered to be past due with terms for renegotiation.

ii) Market Risk: Interest Rate Risk and Sensitivity Analysis

As the principal business of the Company is lease financing it has a potential market risk exposure to movements in interest rates. Société Générale's policy is to concentrate interest rate risks within the capital market activities. These are monitored and controlled by the Group using 'Value at Risk' assessment models.

Therefore the Company is constrained from entering into transactions where there is a significant interest rate exposure. If a fixed rate lease or loan is entered into by the Company it must be financed on an equal fixed rate basis with one of the dedicated market teams. As this effectively hedges any interest rate risk exposure there is no sensitivity to interest rate movements in the Company's accounts.

Where the fixing date is greater than one year, in the absence of an actively traded market, the fair value is calculated by discounting future cash flow to present values based on a market rate yield curve.

iii) Currency Risk

The Company has limited exposure to foreign currency risk as all balances are held in USD.

iv) Fair Values

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS (Continued)

iv) Fair Values (Continued)

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, credit spreads or interest rates and yield curves observable at commonly quoted intervals); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The Company develops unobservable inputs using the best information available in the circumstances, which would include the Company's own data, taking into account all information about market participant assumptions that is reasonably available.

Where the interest rate fixing date of loans, receivables and lease financing transactions are less than one year they are considered to approximate their carrying value due to the short-term nature of these instruments.

Where the fixing date is greater than one year, in the absence of an actively traded market, the fair value is calculated by discounting future cash flow to present values based on a market rate yield curve. The fair value hierarchy of these loans is classified as Level 2.

v) Liquidity Risk

The principles and standards applicable to the management of liquidity risk are defined at Group level. The Company is responsible for managing its own liquidity and for respecting any liquidity constraints locally or those provided by the Asset Liability Management Department, a dedicated division that manages liquidity in the Group overall.

The Company's financial liabilities are primarily in the form of intercompany borrowings from Société Générale's treasury teams as well as third party borrowings.

(a) Maturity analysis of financial liabilities

	<u>Less than 1 year</u>		<u>2 to 5 years</u>	
	<u>29 September</u>	<u>31 March</u>	<u>29 September</u>	<u>31 March</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	\$	\$	\$	\$
Financial liabilities				
Amounts owed to group undertakings	27,159,856	42,939,375	408,153,962	417,523,375
Interest payable to group companies	2,152,551	2,199,449	-	-
Deferred tax liabilities	-	-	-	-
	<u>29,312,407</u>	<u>45,138,824</u>	<u>408,153,962</u>	<u>417,523,375</u>

The above being the undiscounted cash flow expected to be made.

NOTES TO THE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and liabilities held at amortised cost

	<u>29 September 2016</u>	<u>31 March 2016</u>
	\$	\$
Financial assets	526,473,547	559,442,931
Financial liabilities	513,321,424	462,662,199

It is Société Générale's treasury teams which ultimately manage the liquidity exposure of the Group. The objective is to finance the Group's activities at the best possible rates under normal conditions and ensure it can meet its obligations in the event of a crisis.

vi) Concentration Risk

Although the Company's assets are concentrated by geography, type of client and economic sector this is mitigated by its membership of the Société Générale group, which through its other subsidiaries, achieves suitable diversification.

vii) Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;  
and
- to provide an adequate return to shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital structure

	<u>29 September</u>	<u>31 March</u>
	<u>2016</u>	<u>2016</u>
	\$	\$
Share capital	104	104
Capital Contribution	11,100,702	-
Retained earnings	4,478,172	15,195,168
Total capital	15,578,978	15,195,272

NOTES TO THE FINANCIAL STATEMENTS

13. RELATED PARTIES

The Company's immediate parent company is TH Investments (Hong Kong) 1 Limited (incorporated in Hong Kong). SG Leasing (Gems) Limited is incorporated in Great Britain and registered in England and Wales.

The ultimate holding company, controlling party and parent of the smallest and largest group for which group accounts are prepared is Société Générale.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

No guarantees have been given or received.

14. POST BALANCE SHEET EVENTS

On the 30 September 2016, TH Investments (Hong Kong) 1 Limited which is incorporated in Hong Kong acquired 100% of the issued share capital of the Company from Royal Bank Leasing Limited.